

Message Text

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SUBJECT: GOG RENEGOTIATION OF JUNTA-PERIOD FOREIGN INVESTMENT CONTRACTS

REF: A-174

SUMMARY: COORDINATION AND PLANNING MINISTER PAPALIGOURAS ANNOUNCED YESTERDAY THAT FIFTEEN JUNTA-PERIOD LAW 2687 INVESTMENT APPROVALS AND CONTRACTS WILL BE REVISED WITHIN THE NEXT FIVE MONTHS IN ACCORDANCE WITH THE PROCEDURES PROVIDED BY LAW 141 OF AUGUST 28, 1975 (SEE REFERENCED AIRGRAM FOR DESCRIPTION OF THIS PROCESS). SEVEN OF THESE INVOLVE AMERICAN INTERESTS. FURTHER DETAILS WILL BE REPORTED AS THE GOVERNMENT NOTIFIES THE COMPANIES OF ITS SPECIFIC PROPOSALS FOR REVISION. AS IT APPEARS FROM THIS INITIAL ANNOUNCEMENT AND PRELIMINARY CONTACTS EMBASSY HAS MADE WITH A SAMPLING OF COMPANIES, THE GOVERNMENT'S POSITION DOES NOT SEEM SEVERE OR PUNITIVE

.
GIVEN THE EXPRESSED GOG POLICY TO ATTRACT FOREIGN INVESTMENT, WE DO NOT ANTICIPATE SERIOUS CONFRONTATIONS WHICH WOULD UPSET THE EVOLVING INVESTMENT CLIMATE. END SUMMARY

1. THE FOLLOWING LAW 2687 COMPANIES ARE ON THE GOVERNMENT'S

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RENEGOATATION LIST:

A. STEYER-DAIMLER-PUCH A.G. TRUCK AND TRACTOR ASSEMBLING PLANT
B. PEUGEOT-RENAULT PASSENGER CAR ASSEMBLING PLANT
C. NESTLE ALIMENTANA S.A. DAIRY PROCESSING PLANT
D. THOMAS PAPPAS COCA-COLA BOTTLING FACILITIES
E. JOHN MANIATOPOULOS - ATHENS TOURIST PROJECTS S.A.,
TOURIST PROJECT OF ERETRIA, EUBOEA
F. STAVROS NIARCHOS ASPROPYRGOS OIL REFINERY
G. JOHN LATSIS PETROLA HELLAS S.A. OIL REFINERY
H. STRATIS ANDREADIS STRAN OIL REFINERY
I. VARDINOYIANNIS GROUP MOTOR OIL HELLAS S.A. OIL REFINERY
J. B. VRANAS ELECTRONIC COMPUTER CENTER
K. AN-CAR OIL CO. INC. BOSTON, MASS. OIL EXPLORATION AND
DEVELOPMENT CONTRACT COVERING THE AREAS OF ZANTE, KYLLINI AND
CEPHALONIA
L. AN-CAR OIL CO INC EXPLORATION AND DEVELOPMENT CONTRACT COVERING
NORTH-EASTERN AND NORTH-WESTERN PELOPONNESUS
M. L.V.O. CORPORATION, TULSA, OKLAHOMA, OIL EXPLORATION AND
DEVELOPMENT CONTRACT COVERING CENTRAL AEGEAN.
N. SERRES SHIPPING INC., NEW YORK, OIL EXPLORATION AND
DEVELOPMENT CONTRACT COVERING THE KYPARISSIA, W. PELOPONNESUS, AREA
O. HELLENIC STEEL CO STEEL MILL PROJECT

2. PAPALIGOURAS EXPLAINED THAT NEGOTIATIONS ON THE REVISION
OF THE STEYR, PEUGEOT-RENAULT, AND NESTLE CONTRACTS HAVE
ALREADY STARTED. WITH REGARD TO THE ASPROPYRGOS AND PETROLA
OIL REFINERY CONTRACTS, HE STATED THAT THE CONTINUED
OPERATION OF THESE REFINERIES UNDER PRESENT CONDITIONS "NO
LONGER SERVES THE REQUIREMENTS OF THE GREEK ECONOMY." IN THE CASE
OF THE MOTOR OIL REFINERY, THE GOG WISHES MERELY TO ENSURE THAT THE
AMMONIA PLANT ENVISAGED IN THE ORIGINAL AGREEMENT WOULD, IF APPROVED,
NOT BE ERECTED IN THE VICINITY OF THE REFINERY, FOR ENVIRONMENTAL
REASONS. CONCERNING THE STRAN REFINERY CONTRACT HE SAID THAT THIS
INVESTMENT APPROVAL AND CONTRACT ARE REGARDED AS IPSO JURE
REVOKED, OWING TO THE FACT THAT THE INVESTOR HAS NOT LIVED
UP TO THE COMMITMENTS STIPULATED THEREIN

3. WITH REFERENCE TO PROJECTS INVOLVING U.S. INVESTMENT,
THE MINISTER SAID THE FOLLOWING:
A. NEGOTIATIONS WITH HELLENIC STEEL CO., WILL FOCUS ON THE
COMPANY'S RECENT PETITION TO BE RELIEVED OF THE COMMITMENT UNDER
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ITS INITIAL 1962 CONTRACT TO ESTABLISH A HOT ROLLING FACILITY, AND
TO EXPAND ITS EXISTING COLD ROLLING MILL INSTEAD.
B. REVISION OF THE COCA-COLA CONTRACT WILL NOT INVOLVE THE
INITIAL 1968 AGREEMENT PROVIDING FOR SOFT DRINK BOTTLING
AND FOOD PROCESSING, BUT THE 1969 AMENDMENT UNDER WHICH COCA-
COLA WAS RELIEVED OF THE OBLIGATION TO INVEST IN FOOD
PROCESSING. THE FOOD PROCESSING OBLIGATION WILL, HOWEVER, NOT
BE REVIVED.

C. OIL EXPLORATION AND DEVELOPMENT CONTRACTS SHOULD BE REVISED IN ACCORDANCE WITH THE PROVISIONS OF THE REVISED OCEANIC CONTRACT BECAUSE CONDITIONS WITH REGARD TO ENERGY SUPPLIES HAVE, IN THE MEANTIME, CHANGED RADICALLY.

4. A REPRESENTATIVE OF THE ASPROPYRGOS REFINERY TOLD THE EMBASSY THAT REVISION OF OIL REFINERY CONTRACTS WILL CONCENTRATE MAINLY ON PRICING, REFINING FEES, ETC., AND THE QUESTION OF THE SUPPLY AND TRANSPORTATION OF CRUDE.

5. HELLENIC STEEL COMPANY'S MANAGING DIRECTOR TOLD US THAT IN MAY 1975 THEY APPLIED TO THE GREEK GOVERNMENT FOR DELETION OF THEIR COMMITMENT TO ESTABLISH TWO ELECTRIC FURNACES AND A HOT ROLLING MILL. AT THE SAME TIME THEY REQUESTED APPROVAL TO EXPAND THE CAPACITY OF THEIR COLD ROLLING MILL FROM 350,000 TONS TO ONE MILLION TONS ANNUALLY. HELLENIC MAINTAINS THAT THERE IS PRESENTLY A SURPLUS STEEL PRODUCTION CAPACITY IN GREECE.

6. REPRESENTATIVES OF U.S. OIL EXPLORATION COMPANIES HAVE STATED THAT THEY ARE WILLING TO NEGOTIATE REVISION OF THEIR CONTRACTS ALONG THE LINES OF THE REVISED OCEANIC CONTRACT ADDING THAT THEY HAVE BEEN PRESSING THE GOG TO PROCEED WITH SUCH REVISION WHICH WOULD ENABLE THEM TO IMPLEMENT THEIR CONTRACTS. THE SAME REPS STATED THAT THEIR PRINCIPALS DO NOT OBJECT TO SIGNING A PRODUCTION SHARING CONTRACT IN LINE WITH THE OCEANIC FORMULA

7. REVISION OR CANCELLATION OF B. VRANAS ELECTRONIC COMPUTER CENTER CONTRACT MAY INDIRECTLY AFFECT THE INTERESTES OF CONTROL DATA CORPORATION, WHICH HAS SOLD COMPUTER EQUIPMENT AND SUPPLIES TO THE LOCAL CONTRACTOR WORTH DOLS 7 MILLION. VRANAS STILL OWES THE U.S. FIRM DOLS 5 MILLION.

8. COMMENT: COOREINATION MINISTER'S ANNOUNCEMENT IS A FOLLOW-UP OF UNCLASSIFIED

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LAW 141 WHICH IS DESIGNED TO PUT A SPEEDY END TO SPECULATION CONCERNING GOG POLICY WITH REGARD TO INVESTMENT CONTRACTS SIGNED BY THE JUNTA. AS FAR AS THE EMBASSY COULD ASCERTAIN FOREIGN AND LOCAL FIRMS INVOLVED IN THE REVISION PROCESS, (EXCLUDING STEYR, PEUGEOT-RENAULT AND NESTLE) HAVE NOT AS YET BEEN INVITED TO NEGOTIATE REVISION OF THEIR RESPECTIVE CONTRACTS NOR HAVE THEY BEEN APPRIZED OF THE SUBSTANCE OF SUCH REVISION

9. AT FIRST GLANCE, THE GOVERNMENT'S LIST DOES NOT APPEAR TO HEARLD A CHANGE IN THE GENERALLY FAVORABLE GOG ATTITUDE TOWARD FOREIGN INVESTORS. SOME OF THE INVESTMENTS CHOSEN FOR REVISION ARE ESSENTIALLY DEAD ISSUES (PEUGEOT/RENAULT, VRANAS ELECTRONIC COMPUTER CENTER). OTHERS MAY INVOLVE REVISIONS DESIRED BY THE INVESTORS THEMSELVES (HELLENIC STEEL, COCA-COLA). IN THE CASE OF THE REFINERIES, THE PROPOSED REVISIONS TO THE CONTRACTS WOULD

APPEAR TO BE DICTATED NOT SO MUCH BY THE DESIRE TO NEGATE DECISIONS OF THE PREVIOUS GOVERNMENT, AS TO MEET THE NEW CONDITIONS RESULTING FROM THE WORLDWIDE ENERGY CRISIS.

10. THE ONLY NEGATIVE NOTE APPEARED IN PRESS REPORTS OF THE STRAN REFINERY'S STATEMENT. ACCORDING TO THAT STATEMENT STRAN CLAIMS THAT THEIR END OF THE CONTRACT HAS BEEN FULFILLED AND THE ONLY IMPEDIMENT TO ITS IMPLEMENTATION CAME FROM THE PREVIOUS REGIME. STRAN CLAIMS THAT IT HAS SO FAR SUFFERED LOSSES EXCEEDING 1 BILLION DRACHMAS AND ASKS THE QUESTION HOW A CONTRACT CONSIDERED IMPSO JURE CANCELLED CAN BE REVISED

11. A MORE PRECISE ASSESSMENT OF THE GOVERNMENT'S INTENTIONS WILL BE POSSIBLE AFTER EACH INVESTOR RECEIVES FROM THE GOVERNMENT THE FULL LIST OF PARTICULARS TO BE CONSIDERED FOR REVISION. THIS WILL HAVE TO BE DONE BY NOVEMBER 28, ACCORDING TO LAW 141. ANOTHER INDICATOR OF THE GOVERNMENT'S ATTITUDE WILL BE THE ANNOUNCEMENT OF PROPOSED REVISIONS TO DOMESTIC PRIVATE INVESTMENT CONTRACTS UNDER LAW 4171, WHICH UNDER LAW 207, WILL HAVE TO BE MADE BY JANUARY 31.
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